

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2016-001 The County did not have controls in place to ensure reimbursements to special purpose taxing districts for revolving fund expenditures were approved and supported.

Background

Whitman County is responsible for the disbursement of over \$3.5 million of expenditure activity for 32 special purpose taxing districts including fire, cemetery, parks and recreation, water/sewer, hospital and library districts. Twenty-five of these districts pay their own expenditures from a revolving fund bank account and seek replenishment for the account from the County Auditor's Office.

Description of Condition

As part of the 2012, 2014 and 2015 audits, we communicated concerns that the County's current practices did not adequately safeguard public funds because it did not ensure there was adequate support for reimbursement of special purpose taxing district expenditures and that warrants paid for districts had been approved by each district's governing body. During the current audit, we identified no improvement in the County's monitoring of special purpose taxing district expenditures. The following internal control weaknesses still exist:

- The County did not have interlocal agreements established with districts as required by state law (RCW 39.34) defining responsibilities and expectations for districts that use the revolving fund process. These agreements should communicate the minimum requirements for establishing and operating a revolving fund as prescribed by the *Budgeting, Accounting and Reporting System (BARS) Manual* (3.8.8.20).
- The County did not require evidence that the district's governing body has properly approved a revolving fund, including the maximum authorized balance. Without this documentation, the County cannot ensure that requests for revolving fund replenishment are within the amount authorized by the district's governing body.
- The County did not require supporting documentation, such as a listing of approved vouchers paid, for the replenishment of the revolving fund. Supporting documentation is necessary to determine requested replenishments are based on actual claims paid by the district, as prescribed by the BARS Manual (3.8.5.80).

- The County did not properly monitor district revolving fund reimbursements to ensure they were timely (replenished at least monthly), supported and processed in accordance with BARS Manual guidance.

Cause of Condition

The County did not dedicate sufficient resources to address the prior audit concerns and did not implement procedures to ensure interlocal agreements were established and that reimbursements to special purpose taxing districts were supported and approved.

Effect of Condition

During the current audit, we tested 22 transactions totaling \$606,150 for fire, cemetery, hospital, parks and recreation and library districts. We found the County did not:

- Require or maintain supporting documentation for the reimbursements to districts for all transactions tested
- Obtain or maintain evidence that the district's governing body properly approved disbursements for five transactions totaling \$249,291

Because the County did not have interlocal agreements established or controls in place to properly monitor the revolving fund reimbursement process, it could not ensure public funds were adequately safeguarded.

Recommendations

We recommend the County:

- Establish interlocal agreements with the special purpose taxing districts using the revolving fund process that define the responsibilities and expectations for the County and districts
- Develop the necessary procedures to ensure public funds are adequately safeguarded and to determine warrants paid for special purpose taxing districts have been approved by each district's governing body
- Monitor district revolving fund reimbursements to ensure they are replenished at least monthly.
- Establish policies and procedures to obtain supporting documentation to ensure requested replenishments are based on actual claims paid by the district.

County's Response

We agree with all of the points made in this finding and will work with the Special Purpose Taxing Districts to come into compliance.

Auditor's Remarks

We thank the County for its cooperation and assistance during the audit and acknowledge its commitment to improving the condition described. We will review the status of this issue during our next audit.

Applicable Laws and Regulations

Chapter 36.22 RCW, County Auditor.

RCW 36.22.090. Warrants of political subdivisions.

Chapter 39.34 RCW, Interlocal Cooperation Act.

The *Budgeting, Accounting and Reporting System (BARS) Manual*, 3.8.8, Imprest, Petty Cash and Other Revolving Funds.

The *Budgeting, Accounting and Reporting System (BARS) Manual*, 3.8.5, Voucher Certification and Approval.